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PUC PROJECT NO. 51871

REVIEW OF THE ERCOT SCARCITY
PRICING MECHANISM

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

**LOWER COLORADO RIVER AUTHORITY'S COMMENTS ON THE
PROPOSAL FOR PUBLICATION TO AMEND 16 TAC § 25.505**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

The Lower Colorado River Authority (LCRA) appreciates the opportunity to offer comments on the proposed revisions to 16 Tex. Admin. Code (TAC) § 25.505 regarding the low system-wide offer cap (LCAP) mechanism as published in the *Texas Register*.¹

I. INTRODUCTION

LCRA is a political subdivision of the State of Texas, created and functioning as a non-profit conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution. LCRA has no taxing authority, receives no general funds in the legislative appropriation process, and relies on its own authority to generate revenues to provide its operating funds. LCRA participates in the Electric Reliability Council of Texas ("ERCOT") wholesale market, where it owns or has rights to approximately 3,300 MW of diverse generation resources. LCRA serves the power needs of 33 municipal electric utilities and electric distribution cooperatives, making LCRA the largest public power wholesale provider in Central Texas.

**II. GENERAL COMMENTS ON LCAP AND THE SCARCITY PRICING
MECHANISM**

LCRA appreciates the opportunity to provide comments on the Commission's proposed amendments to 16 TAC § 25.505(g). LCRA acknowledges that the changes proposed here would

¹ 46 Tex. Reg. 3227 (May 21, 2021).

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resolve the specific issue of the LCAP exceeding the high system-wide offer cap (HCAP) as a result of the extraordinarily high gas prices experienced during the February 2021 weather event. In addition, LCRA supports the proposed rule language that will require ERCOT to reimburse resource entities for their actual marginal costs that exceed real-time revenues. Regrettably, the “existing settlement processes” that resource entities must exhaust at ERCOT to prove up their actual costs rarely result in complete or timely dispositions, and this issue will only be exacerbated going forward as a result of the anticipated volume of disputes arising from the February 2021 event. Accordingly, LCRA asks that the Commission give clear direction to ERCOT that the actual costs submitted by the resource entity and supported by appropriate documentation should be given significant weight, in order to give proper effect to the rule as proposed and ensure efficient processing of claims to make resources entities whole for the value they provide to the market at critical times.

While this rulemaking represents an appropriate intermediate step, the larger problem remains that a single event has had an unanticipated impact on wholesale prices for the remainder of the calendar year. In ERCOT’s energy-only market, the expectation of strong price signals during times of scarcity remains the primary market principle that incentivizes new generation build and existing resource availability. LCRA appreciates the Legislature’s significant attention to this issue and looks forward to working with the Commission to implement an improved emergency pricing program for the ERCOT market. LCRA urges the Commission to take quick action in initiating a comprehensive review and revisions to the scarcity pricing mechanism with the critical goal in mind of ensuring resource adequacy and reliability in the ERCOT energy-only market.

III. CONCLUSION AND PRAYER

LCRA appreciates the Commission's consideration of these comments and looks forward to working with the Commission Staff and other stakeholders to identify effective market solutions.

Respectfully submitted,

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